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# California

Forms & Instructions

## 109

~~2007~~

Exempt Organization Business  
Income Tax Booklet

Members of the Franchise Tax Board

John Chiang, Chair

~~Betty T. Yee, Member~~

Michael C. Genest, Member

**This booklet contains:**

**Form 109**, California Exempt  
Organization Business Income Tax  
Return



STATE OF CALIFORNIA  
**FRANCHISE TAX BOARD**

# Instructions for Form 109

## Exempt Organization Business Income Tax Return

References in these instructions are to the Internal Revenue Code (IRC) as of January 1, 2005, and to the California Revenue and Taxation Code (R&TC).

### What's New

#### Round Cents to Dollars

Beginning with the 2007 tax forms, round cents to the nearest whole dollar. For example, round \$50.50 up to \$51 or round \$25.49 down to \$25. If you do not round, Franchise Tax Board (FTB) will disregard the cents. This change helps process your returns quickly and accurately.

#### California Affirmation of Tax-Exempt Status

Recently enacted legislation, effective 1/1/2008, amended California Revenue and Taxation Code Section (R&TC) 23701d. This section allows organizations that have obtained a federal determination letter of tax-exempt status under Internal Revenue Code (IRC) Section 501(c)(3), to request California affirmation of tax-exempt status. See FTB 3500 booklet for additional instructions.

### General Information

In general, California law conforms to the Internal Revenue Code (IRC) as of January 2005.

However, there are continuing differences between California and federal law. When California conforms to federal tax law changes, we do not always adopt all of the changes made at the federal level. For more information, go to our Website at [www.ftb.ca.gov](http://www.ftb.ca.gov) and search for conformity. Additional information can be found in FTB Pub. 1001, Supplemental Guidelines to California Adjustments, the instructions for California Schedule CA (540 or 540NR), and the Business Entity tax booklets.

The instructions provided with California tax forms are a summary of California tax law and are only intended to aid taxpayers in preparing their state income tax returns. We include information that is most useful to the greatest number of taxpayers in the limited space available. It is not possible to include all requirements of the California Revenue and Taxation Code (R&TC) in the tax booklets. Taxpayers should not consider the tax booklets as authoritative law.

If the organization was involved in a reportable transaction, including a listed transaction, the organization may have a disclosure requirement. Attach the federal Form 8886, Reportable Transaction Disclosure Statement to the back of the California return along with any other supporting schedules. If this is the first time the reportable transaction is disclosed on the return, send a duplicate copy of the federal Form 8886 to the address below. The FTB may impose penalties if the organization fails to file federal Form 8886, or any other required information.

ATSU 398 MS F385  
FRANCHISE TAX BOARD  
PO BOX 1673  
SACRAMENTO CA 95812-9900

For more information, go to our Website at [www.ftb.ca.gov](http://www.ftb.ca.gov) and search for tax shelter.

### A Purpose

A tax-exempt organization that regularly carries on a trade or business not substantially related to its exempt purpose may be required to pay tax on the unrelated trade or business income that results from such activity. Use Form 109 to figure the tax on the unrelated business income of the organization.

Filing Form 109 does not replace the requirement to file Form 199, California Exempt Organization Annual Information Return. State and federal laws are generally the same in this area. Get federal Form 990-T, Exempt Organization Business Income Tax Return, and instructions for detailed information.

### B Who Must File

Every organization exempt under R&TC Sections 17631, 23701a through 23701z, 23711, or 23712 must file Form 109 if the gross income from an unrelated trade or business is more than \$1,000. See General Information Q, Unrelated Trade or Business.

#### Exceptions

A tax-exempt organization is not required to file Form 109 if all of the following apply:

- It is formed to carry out a function of the state.
- It is carrying out that function.
- It is controlled by the state.

Exempt homeowners' associations and exempt political organizations that have a taxable income over \$100 must file Form 100, California Corporation Franchise or Income Tax Return.

### C Accounting Period

File Form 109 for taxable years beginning in 2007. If filing Form 109 on a fiscal year, fill in the taxable year information including the month, day, and year in the spaces provided at the top of Side 1.

To change an accounting period, file federal Form 1128, Application to Adopt, Change, or Retain a Tax Year, with the IRS, then file a copy of the federal approval with Form 109 in the year the change is effective.

### D Accounting Method

The method used to compute taxable income should be made in accordance with the accounting regularly used by the organization in maintaining its books and records.

To change an accounting method, file federal Form 3115, Application for Change in Accounting Method, with the IRS, then file a copy of the federal approval with Form 109 in the year the change is effective.

### E Mailing Addresses

Mail returns that include a payment to:

FRANCHISE TAX BOARD  
PO BOX 942857  
SACRAMENTO CA 94257-0701

Mail refund returns or returns without a payment to:

FRANCHISE TAX BOARD  
PO BOX 942857  
SACRAMENTO CA 94257-0700

Private delivery services cannot deliver items to PO boxes. If using one of these services to mail any item to the FTB, use an FTB PO box, address the return to:

FRANCHISE TAX BOARD  
SACRAMENTO CA 95827

If the organization files more than one return, use separate envelopes and checks or money orders to make sure the returns and payments are processed correctly.

### F When to File

Generally, Form 109 is due on or before the 15th day of the 5th month following the close of the taxable year. An employees' trust defined in IRC Section 401(a) and an IRA must file Form 109 by the 15th day of the 4th month after the end of the taxable year. However, Coverdell ESAs must file Form 109 on or before the 15th day of the 4th month after the end of the taxable year.

#### U.S. Post Office

Official U.S. Post Office postmarks are considered primary evidence of the date of filing of income tax documents and payments. Postage meter dates are not considered proof of filing on the date shown.

#### Private Delivery Services

California conforms to federal law regarding the use of designated private delivery services to meet the "timely mailing as timely filing/paying" rule for tax returns and payments. See the federal instructions for Form 990-T, Exempt Organization Business Income Tax Return, for a list of designated delivery services.

### G Extension of Time to File Return

If Form 109 cannot be filed by the due date, the exempt organization has seven additional months to file without filing a written request for extension, unless the organization is suspended as of the original due date. To avoid late payment penalties, the organization must pay 100% of the tax liability by the original due date of the return.

If an extension of time is needed, and an unpaid tax liability is owed, get form FTB 3539, Payment for Automatic Extension for Corps and Exempt Orgs.

If the return is not filed by the extended due date, a delinquent filing penalty is charged from the original due date of the return.

### H Signature

#### Corporations and Associations

A corporate officer such as the president, vice president, treasurer, assistant treasurer, chief accounting officer, or trustee must sign the return. In the case of an association, a similarly authorized person must sign the return.

#### Trusts

The individual fiduciary or authorized officer of the trust receiving or having custody or control and management of the income of the trust must sign the return. If two or more individuals act jointly as fiduciaries, the return may be signed by either individual.

A receiver, trustee, or assignee must sign any return filed on behalf of the organization.

### I Entity Information

To facilitate processing of this return, the organization must enter a California corporation number or federal employer identification number (FEIN) in the boxes provided.

## Private Mail Box

Include the Private Mail Box (PMB) in the address field. Write the acronym "PMB" first, then the box number. Example: 111 Main Street PMB 123.

## J Tax Rates

### Corporations and Associations

The tax rate imposed on the unrelated business income of an incorporated exempt organization or association treated as a corporation is 8.84%. The alternative minimum tax (AMT) rate is 6.65%.

Any organization determined to be exempt from income tax by the FTB does not owe the minimum franchise tax.

### Trusts

R&TC Section 23731(b) provides for taxation of trusts at the personal income tax rates imposed by R&TC Section 17041(e). See the Tax Rate Schedule for Trusts on page 14.

## K Payment of Tax

The tax due (total tax minus amounts previously paid) must be paid in full by the due date of the return without regard to extensions. Any credit or payment should be claimed on the return and considered in computing the tax due with the return. Get instructions for Form 100-ES, Corporation Estimated Tax, for information regarding how and when to pay estimated tax. Trusts completing Form 100-ES use the Tax Rate Schedule for Trusts on page 14 to figure the correct amount of tax.

### Electronic Funds Transfer (EFT)

Organizations that meet certain requirements must remit all of their payments through EFT rather than by paper checks to avoid the EFT penalty. Organizations that remit an estimated tax payment or extension payment in excess of \$20,000 or that have a total tax liability in excess of \$80,000 must remit all of their payments through EFT. The FTB will notify organizations that are subject to these requirements. Organizations that do not meet these requirements and wish to participate on a voluntary basis may do so. For more information, go to our Website at [www.ftb.ca.gov](http://www.ftb.ca.gov) and search for EFT, call (916) 845-4025, or get FTB Pub. 3817, Electronic Funds Transfer Program Information Guide.

## L California Use Tax

The use tax has been in effect in California since July 1, 1935. It applies to purchases from out-of-state or Internet sellers and is similar to the sales tax paid on purchases made in California.

In general, exempt organizations must pay California use tax on purchases made from out of state (for example, by telephone, over the Internet, by mail, or in person) if:

- The seller does not collect California sales or use tax.
- The organization uses, gives away, stores, or consumes the item in this state.

**Example:** The exempt organization purchases a conference table from a company in North Carolina. The company ships the table from North Carolina to the organization's office in California for its use and does not charge California sales or use tax. The organization owes use tax on the purchase.

**Complete the Use Tax Worksheet** on page 5 to calculate the amount due.

**Extensions to file.** If the exempt organization requests an extension to file its tax return, wait until the exempt organization files its tax return to report the purchases subject to use tax and to make the use tax payment.

**Penalty.** To avoid late payment penalties for use tax, the organization must report and pay the use tax with a timely filed income tax return.

**Changes in use tax reported.** Do not file an amended return to revise use tax previously reported. If the exempt organization has changes to the amount of use tax reported on its original return, contact the State Board of Equalization.

**For assistance,** go to the State Board of Equalization's Website at [www.boe.ca.gov](http://www.boe.ca.gov), or call their Information Center at (800) 400-7115 or TTY/TDD (800) 735-2929. Income tax information is not available at these numbers.

## M Penalties and Interest

### Late Filing of Return

Any organization that fails to file a return on or before the extended due date may be assessed a penalty. The penalty cannot exceed 25% of the unpaid tax.

### Late Payment of Tax

Any organization that fails to pay the total tax shown on the return by the original due date is assessed a penalty of five percent of the unpaid tax, plus 0.5% for each month, or part of a month (not to exceed 40 months), that the tax remains unpaid. This penalty cannot exceed 25% of the unpaid tax.

The late payment penalty may be waived where 90% of the tax shown on the return is paid by the original due date of the return. If an organization is subject to both the penalty for failure to file a timely return and the penalty for failure to pay the total tax by the due date, a combination of the two penalties may be assessed, but the total will not exceed 25% of the unpaid tax.

### Underpayment of Estimated Tax

Any corporation, unincorporated association, or trust that fails to pay or underpays an installment of estimated tax is assessed a penalty. The penalty is computed as a percentage of the underpayment for the underpayment period. Get form FTB 5806, Underpayment of Estimated Tax by Corporations, to determine both the amount of underpayment and the amount of penalty.

If the organization uses Exception B, tax on annualized income, or Exception C, tax on annualized seasonal income, to compute or eliminate the penalty for any of the four installments, a completed form FTB 5806 must be attached to the front of the return.

### EFT Penalty

If the exempt organization meets the requirements of the EFT program, all payments must be made through EFT. Payment by other means will result in a penalty of 10% of the amount paid. For more information, see General Information K, Payment of Tax, or get FTB Pub. 3817, Electronic Funds Transfer Program Information Guide, or call the FTB at (916) 845-4025.

### Interest

Interest is due and payable on any tax due that is not paid by the original due date of the return. An extension of time to file a return does not stop interest from accruing.

## N Net Operating Loss (NOL) Deduction

For taxable years beginning on or after January 1, 2004, 100% of the NOL may be carried forward.

The NOL deduction may be claimed on Side 1, line 4 or line 12.

For more information, get form FTB 3805Q, Net Operating Loss (NOL) Computation and NOL Disaster Loss Limitations - Corporations; form FTB 3805V, Net Operating Loss (NOL) Computation and NOL and Disaster Loss Limitation - Individuals, Estates, and Trusts; form FTB 3805Z, Enterprise Zone Booklet; form FTB 3807, Local Agency Military Base Recovery Area Booklet; form FTB 3809, Targeted Tax Area Booklet; and form FTB 3805D, Net Operating Loss (NOL) Computation - Pierce's Disease.

## O Alternative Minimum Tax (AMT)

California law is generally the same as federal law regarding AMT. AMT is reported on Side 1, line 19. Trusts subject to AMT must file Schedule P (541), Alternative Minimum Tax and Credit Limitations - Fiduciaries. Corporations and unincorporated associations subject to AMT must file Schedule P (100 or 100W), Alternative Minimum Tax and Credit Limitations - Corporations.

## P Income to Be Reported

### Corporations and Associations

Report all income from an unrelated trade or business whether derived from sources within or outside California.

Apportion business income attributable to sources both within and outside California. See the instructions for Side 1, line 2, and Schedule R, Apportionment Formula Worksheet.

### Trusts

Report all income from an unrelated trade or business derived from sources within California. If income is derived from sources outside California and one or more trustees are residents, report the proportion of income that the resident trustees bear to the total of all trustees.

### At-Risk Provisions

For the rules limiting a loss to the amount at-risk for certain trade or business and production of income activities, get federal Form 6198, At-Risk Limitations.

### Passive Activity Loss and Credit Limitation

For California purposes, the passive loss rules of IRC Section 469 (except for IRC Section 469(c)(7)) apply to closely held corporations, S corporations, personal service corporations, and trusts. Organizations subject to passive loss rules must complete form FTB 3801, Passive Activity Loss Limitations, or form FTB 3802, Corporate Passive Activity Loss and Credit Limitations, to figure their allowable passive activity loss.

An organization subject to the passive activity loss limitations may also be required to adjust credits attributable to passive activities on form FTB 3801-CR, Passive Activity Credit Limitations or form FTB 3802, Corporate Passive Activity Loss and Credit Limitations.



If a passive activity is also subject to the at-risk rules of IRC Section 465, the at-risk rules apply before the passive loss rules apply. Get federal Publication 925, Passive Activity and At-Risk Rules.

## **Q Unrelated Trade or Business**

Unrelated trade or business is any regularly carried on trade or business that is not substantially related to the organization's exempt purpose or function, or to exercising or performing any purpose or function described in R&TC Section 23701. An unrelated trade or business does not include:

- An activity where substantially all the work in carrying on the trade or business is performed by volunteers (without compensation).
- An activity that is carried on by an R&TC Section 23701d organization primarily for the convenience of its members, students, patients, officers, or employees.
- An activity that is carried on by a local association of employees described in R&TC Section 23701f, organized before May 27, 1969, such as selling work-related clothes, equipment, and items normally sold through vending machines, snack bars, etc., for the convenience of its members at their usual workplace.
- The sale of merchandise that was donated to the organization.

For additional information, see IRC Section 513.

### **Unrelated Business Taxable Income**

Unrelated business taxable income is the gross income derived from any regularly carried on unrelated trade or business less the deductions that are directly connected with carrying on the unrelated trade or business.

In the case of an organization that regularly conducts two or more unrelated business activities, unrelated business taxable income is the sum of gross income from all such unrelated business activities, less the sum of the deductions that are directly connected with carrying on the unrelated trade or business.

Expenses, depreciation, and similar items that arise from conducting the exempt function are not deductible in computing unrelated business taxable income. However, expenses directly connected with unrelated business income are deductible (see Specific Line Instructions for Side 2, Part I and Part II, line 20, for the exception concerning contributions).

For additional information, see IRC Section 512.

## **R Exclusions**

Items excluded from unrelated business taxable income are:

1. Dividends, interest, annuities, and deductions directly connected with such income. However, unrelated debt-financed income and income derived from controlled organizations is taxable, whether or not the activities that produced such income represent a regularly carried on trade or business.
2. Royalties (including overriding royalties) and deductions directly connected with such income. Mineral royalties are excluded whether measured by production or by gross or taxable income from the mineral property. However, where the organization owns a working interest in a mineral property and is

not relieved of its share of the development costs by the terms of any agreement with an operator, income received from the working interest cannot be excluded.

Debt-financed royalty income is taxable whether or not the organization owns a working interest in the property.

3. Rents from real property (including elevators and escalators) and rents from personal property leased with such real property and deductions directly connected with such rents.

Rents attributable to personal property must be an incidental amount of the total rents received or accrued under the lease determined at the time when the property is first subject to use by the lessee. Rents attributable to personal property generally are not an incidental amount of the total rents if the rents attributable to personal property exceed 10% of the total rents from all the property leased. See Federal Income Tax Regulation Section 1.512(b)-1(c)(3)(iii) regarding multiple leases.

The exclusion will not apply if such rents are derived from a controlled organization or the property leased is debt-financed property.

If the rents are derived from the leasing of debt-financed property to a controlled organization, the taxation of rents is first considered under the controlling organization rules. Only the untaxed portion of rents is subject to the unrelated debt-financed income rules.

4. Gains or losses from the sale, exchange, or other disposition of property, except:
  - a. Stock in trade or other property that would be includible in inventory if on hand at the close of the taxable year.
  - b. Property held primarily for sale to customers in the ordinary course of the trade or business, or real property and all gains or losses from the forfeiture of good-faith deposits (that are consistent with established business practice) for the purchase, sale, or lease of real property in connection with the organization's investment activities as described in IRC Section 512. The cutting of lumber is considered a sale or exchange of such timber and results in unrelated business taxable income. (See Specific Line Instructions for Side 2, Part I and Part II, lines 4a, 4b, and 4c, for treatment of capital gains or ordinary losses).
  - c. Certain gains on debt-financed and depreciable property.
5. The income and deductions resulting from:
  - a. Organizations performing research for the government.
  - b. A college, university, or hospital performing research for any person.
  - c. Organizations operating primarily for fundamental research.
6. Certain investment income for pension funds. These include:
  - a. The gains or losses on the lapse or termination of securities options (IRC Section 512(b)(5)).
  - b. Loan commitment fees (IRC Section 512(b)(1)).
  - c. The gains from the sale, exchange, or disposition of real property and mortgages acquired from financial institutions in

conservatorship or receivership (IRC Section 512(b)(16)).

7. Annual dues not exceeding \$100 paid to an agricultural or horticultural organization described in IRC Section 512(d).

### **Exception**

The exclusion rules described above do not apply to social and recreational clubs (R&TC Section 23701g), voluntary employees' beneficiary associations (R&TC Section 23701i), and supplemental unemployment compensation benefits trusts (R&TC Section 23701n).

California law is the same as federal law for organizations described in IRC Section 501(c)(7) or 501(c)(9).

**Controlled organization** means in the case of:

- A Stock Corporation - ownership (by vote or value) of more than 50% of stock in the corporation.
- A Partnership - ownership of more than 50% of the profits, interest, or capital interests in the partnership.
- Any other Case - ownership of more than 50% of the beneficial interest in the entity.

## **S Exempt Function Income**

Exempt function income is any of the following:

- a. The amount derived from dues, fees, charges, or similar amounts of gross income from members.
- b. The amount (other than gross income derived from any unrelated trade or business that is regularly carried on) set aside for religious, charitable, scientific, literary, or educational purposes, or for the prevention of cruelty to children or animals.
- c. In the case of an organization described in R&TC Section 23701i, the amount set aside for the payment of life, sick, accident, or other benefits.

## **T Information Returns**

The organization must file federal Form 1099 series information returns with the FTB as well as the IRS to report certain payments made or received by the organization. Reportable payments include, but are not limited to:

- **All amounts paid** to an attorney whether or not the services are performed for the payer, and all amounts paid by a broker or barter exchange.
- **Payments exceeding \$10** annually for interest (earned) and dividends.
- **Payments exceeding \$600** annually for compensation for services that are not subject to withholding, commissions, fees, prizes and awards, payments to independent contractors, rents, royalties, legal services (whether or not the payee is incorporated), interest (such as interest charged for late payment), and pensions.
- **Cash payments over \$10,000** received in a trade or business.

For more information, see the IRS General Instructions for Forms 1099, 1098, 5498, and W-2-G; federal Publication 1220, Specifications for Filing Forms 1098, 1099, 5498 and W-2G Electronically or Magnetically; FTB 4227A, Guide to Information Returns Filed With California; and form FTB 8305, Reporting Requirements for Forms 1098, 1099, 5498, W-2G.

## U Federal Form 990-T

Refer to the Instructions for federal Form 990-T, Schedule E for more information regarding:

1. Debt-financed property.
2. Allocation rules for debt-financed property.
3. Acquisition indebtedness.
4. Average acquisition indebtedness.
5. Average adjusted basis.
6. Adjusted basis of property.

For the special rules for holding companies, R&TC Sections 23701h and 23701x and IRC Sections 501(c)(2) and 501(c)(25), see federal Form 990-T, General Instructions for Consolidated Returns.

## Specific Line Instructions

### Side 1

#### Line 2 – Apportionment Formula

Unrelated business income of corporations and associations attributable to sources within and outside California is apportioned. Use Schedule R, Apportionment Formula Worksheet, located on Side 5 of the Form 109, to determine the apportionment percentage.

#### Line 22 – 2007 Estimated Tax and Taxes Withheld

Enter the total amount of estimated tax payments made during the 2007 taxable year on this line. Also, enter the 2007 nonresident or real estate withholding credit from Form(s) 592-B, 593-B, or 594 if the organization was withheld upon. Attach Form 592-B, 593-B, or 594 to the lower front of Form 109, Side 1.

#### Line 25 and Line 26 – Tax Due/Overpayment

Add to the amount of tax due or overpayment, as appropriate, the amount from Schedule K, line 5. See Schedule K Instructions for more information.

#### Line 28 – Use Tax

As explained under General Information L, California use tax applies to purchases from out-of-state sellers (for example, purchases made by telephone, over the Internet, by mail, or in person).

The exempt organization may report use tax on its Exempt Organization Business Income Tax Return, instead of filing a use tax return with the State Board of Equalization. To report use tax on the exempt organization's income tax return, complete the Use Tax Worksheet on this page. For questions on whether a purchase is taxable, go to the State Board of Equalization's Website at [www.boe.ca.gov](http://www.boe.ca.gov), or call their Information Center at (800) 400-7115 or TTY/TDD (800) 735-2929.

If the exempt organization owes use tax but the exempt organization does not report it on its tax return, the exempt organization must report and pay the tax to the State Board of Equalization. To do so, download a copy of Publication 79-B, California Use Tax, from [www.boe.ca.gov](http://www.boe.ca.gov) or request a copy by calling their Information Center.

#### Use Tax Penalty

Failure to timely report and pay the use tax due may result in the assessment of penalties.

**Note:** Businesses that have a California seller's permit must continue to report business purchases subject to use tax on their sales and use tax returns.

### Use Tax Worksheet

Round all amounts to the nearest whole dollar.

1. Enter purchases from out-of-state or Internet sellers made without payment of California sales or use tax. See worksheet instructions below. \$ .00
2. Enter the decimal equivalent of the applicable sales or use tax rate. See worksheet instructions below. . . . . \$ .00
3. Multiply line 1 by the tax rate on line 2. Enter result here. . . . . \$ .00
4. Enter any sales or use tax you paid to another state for purchases included on line 1. See worksheet instructions below. . . . . \$ .00
5. Total Use Tax Due. Subtract line 4 from line 3. Enter the amount here and on Form 109, line 28. If the amount is less than zero, enter -0- . . . . . \$ .00

#### Worksheet, Line 1, Purchases Subject to Use Tax

- Report items that would have been taxable in a California store, such as office equipment and supplies.
- Include handling charges.
- Do not include any other state's sales or use tax paid on the purchases.
- Enter only purchases made during the year that corresponds with the tax return you are filing.

**Note:** Report and pay any use tax the exempt organization owes on the following purchases to the State Board of Equalization, not on the Exempt Organization Business Income Tax Return.

- Vehicles, vessels, and trailers that must be registered with the Department of Motor Vehicles.
- Mobile homes or commercial coaches that must be registered annually as required by the Health and Safety Code.
- Vessels documented with the U.S. Coast Guard.
- Aircraft.
- Leases of machinery, equipment, vehicles, and other tangible personal property.

#### Worksheet, Line 2, Sales and Use Tax Rate

- Enter the decimal equivalent of the sales and use tax rate applicable to the place in California where the property is used, stored, or otherwise consumed. For example, the decimal equivalent of 7.25% is 0.0725, and the decimal equivalent of 7.375% is 0.07375.
- If the organization does not know the applicable rate, see the table below, "Sales and Use Tax Rates by County." If the organization has questions regarding the use tax rate in effect in your area, go to the State Board of Equalization's Website at [www.boe.ca.gov](http://www.boe.ca.gov) or call their Information Center at (800) 400-7115 or TTY/TDD (800) 735-2929.

#### Worksheet, Line 4, Credit for Tax Paid to Another State

- This is a credit for tax paid to other states. The organization cannot claim a credit greater than the amount of tax that would have been due if the purchase had been made in California. For example, if the organization paid \$8.00 sales tax to another state for a purchase, and would

have paid \$6.00 in California, it can claim a credit of only \$6.00 for that purchase.

### Sales and Use Tax Rates by County (includes state, local, and district taxes)

As of December 31, 2007

County	Rate	County	Rate
Alameda	8.75%	Orange <sup>1</sup>	7.75%
Alpine	7.25%	Placer	7.25%
Amador	7.25%	Plumas	7.25%
Butte	7.25%	Riverside	7.75%
Calaveras	7.25%	Sacramento	7.75%
Colusa <sup>1</sup>	7.25%	San Benito <sup>1</sup>	7.25%
Contra Costa <sup>1</sup>	8.25%	San Bernardino <sup>1</sup>	7.75%
Del Norte	7.25%	San Diego <sup>1</sup>	7.75%
El Dorado <sup>1</sup>	7.25%	San Francisco	8.50%
Fresno <sup>1</sup>	7.975%	San Joaquin <sup>1</sup>	7.75%
Glenn	7.25%	San Luis Obispo <sup>1</sup>	7.25%
Humboldt <sup>1</sup>	7.25%	San Mateo	8.25%
Imperial	7.75%	Santa Barbara	7.75%
Inyo	7.75%	Santa Clara	8.25%
Kern	7.25%	Santa Cruz <sup>1</sup>	8.00%
Kings	7.25%	Shasta	7.25%
Lake <sup>1</sup>	7.25%	Sierra	7.25%
Lassen	7.25%	Siskiyou	7.25%
Los Angeles <sup>1</sup>	8.25%	Solano	7.375%
Madera <sup>1</sup>	7.75%	Sonoma <sup>1</sup>	7.75%
Marin <sup>1</sup>	7.75%	Stanislaus	7.375%
Mariposa	7.75%	Sutter	7.25%
Mendocino <sup>1</sup>	7.25%	Tehama	7.25%
Merced <sup>1</sup>	7.25%	Trinity	7.25%
Modoc	7.25%	Tulare <sup>1,3</sup>	7.75%
Mono	7.25%	Tuolumne <sup>1</sup>	7.25%
Monterey <sup>1</sup>	7.25%	Ventura	7.25%
Napa	7.75%	Yolo <sup>1</sup>	7.25%
Nevada <sup>1</sup>	7.375%	Yuba	7.25%

1. Many cities in California impose a district tax which results in a higher sales and use tax rate than in other parts of the county. If you are reporting an item that was purchased for use in one of these counties, please check the following city list to see if a higher rate applies to your city. The tax rates shown apply within the city limits of the listed community.
2. The tax rate in Madera County prior to April 1, 2007 was 7.25%.
3. The tax rate in Tulare County prior to April 1, 2007 was 7.25%.

County	City	Citywide Rate
Colusa	Williams (effective 4/1/07) <sup>1</sup>	7.75%
Contra Costa	Pinole (effective 4/1/07) <sup>2</sup>	8.75%
Contra Costa	Richmond	8.75%
El Dorado	Placerville	7.50%
El Dorado	South Lake Tahoe	7.75%
Fresno	Clovis	8.275%
Humboldt	Trinidad	8.25%
Lake	Clearlake	7.75%
Lake	Lakeport	7.75%
Los Angeles	Avalon	8.75%
Los Angeles	Inglewood (effective 4/1/07) <sup>3</sup>	8.75%
Marin	San Rafael	8.25%
Mendocino	Fort Bragg	7.75%
Mendocino	Point Arena	7.75%
Mendocino	Ukiah	7.75%
Mendocino	Willits	7.75%
Merced	Los Banos	7.75%
Merced	Merced	7.75%
Monterey	Del Rey Oaks (effective 4/1/07) <sup>4</sup>	8.25%
Monterey	Salinas	7.75%
Monterey	Sand City	7.75%
Nevada	Nevada City (effective 4/1/07) <sup>5</sup>	7.875%
Nevada	Truckee	7.875%

Orange	Laguna Beach	8.25%
San Benito	San Juan Bautista	8.00%
San Bernardino	Montclair	8.00%
San Bernardino	San Bernardino	(effective 4/1/07) <sup>6</sup> 8.00%
San Diego	El Cajon	8.25%
San Diego	National City	8.75%
San Diego	Vista (effective 4/1/07) <sup>7</sup>	8.25%
San Joaquin	Manteca	(effective 4/1/07) <sup>8</sup> 8.25%
San Joaquin	Stockton	8.00%
San Luis Obispo	Arroyo Grande	(effective 4/1/07) <sup>9</sup> 7.75%
San Luis Obispo	Grover Beach	(effective 4/1/07) <sup>10</sup> 7.75%
San Luis Obispo	Morro Bay	(effective 4/1/07) <sup>11</sup> 7.75%
San Luis Obispo	San Luis Obispo	(effective 4/1/07) <sup>12</sup> 7.75%
Santa Cruz	Capitola	8.25%
Santa Cruz	Santa Cruz	(effective 4/1/07) <sup>13</sup> 8.50%
Santa Cruz	Scotts Valley	8.50%
Santa Cruz	Watsonville	(effective 4/1/07) <sup>14</sup> 8.25%
Sonoma	Sebastopol	8.00%
Sonoma	Santa Rosa	8.00%

Tulare	Dinuba	(effective 04/01/07) <sup>15</sup> 8.50%
Tulare	Farmersville	(effective 04/01/07) <sup>16</sup> 8.25%
Tulare	Porterville	(effective 04/01/07) <sup>17</sup> 8.25%
Tulare	Tulare	(effective 04/01/07) <sup>18</sup> 8.25%
Tulare	Visalia	(effective 04/01/07) <sup>19</sup> 8.00%
Tuolumne	Sonora	7.75%
Yolo	Davis	7.75%
Yolo	West Sacramento	7.75%
Yolo	Woodland	7.75%

1. The tax rate in Williams prior to April 1, 2007 was 7.25%.
2. The tax rate in Pinole prior to April 1, 2007 was 8.25%.
3. The tax rate in Inglewood prior to April 1, 2007 was 8.25%.
4. The tax rate in Del Rey Oaks prior to April 1, 2007 was 7.25%.
5. The tax rate in Nevada City prior to April 1, 2007 was 7.375%.
6. The tax rate in San Bernardino prior to April 1, 2007 was 7.75%.

7. The tax rate in Vista prior to April 1, 2007 was 7.75%.
8. The tax rate in Manteca prior to April 1, 2007 was 7.75%.
9. The tax rate in Arroyo Grande prior to April 1, 2007 was 7.25%.
10. The tax rate in Grover Beach prior to April 1, 2007 was 7.25%.
11. The tax rate in Morro Bay prior to April 1, 2007 was 7.25%.
12. The tax rate in San Luis Obispo prior to April 1, 2007 was 7.25%.
13. The tax rate in Santa Cruz prior to April 1, 2007 was 8.25%.
14. The tax rate in Watsonville prior to April 1, 2007 was 8.00%.
15. The tax rate in Dinuba prior to April 1, 2007 was 8.00%.
16. The tax rate in Farmersville prior to April 1, 2007 was 7.75%.
17. The tax rate in Porterville prior to April 1, 2007 was 7.75%.
18. The tax rate in Tulare prior to April 1, 2007 was 7.75%.
19. The tax rate in Visalia prior to April 1, 2007 was 7.50%.

**Caution Flag:** Check with your financial institution to make sure your deposit will be accepted and to get the correct routing and account numbers. The FTB is not responsible for a lost refund due to incorrect account information entered by you or your representative.

**John Doe**  
**Mary Doe**  
 1234 Main Street  
 Anytown, CA 99999

\_\_\_\_\_ 20 \_\_\_\_\_

PAY TO THE ORDER OF \_\_\_\_\_ \$ \_\_\_\_\_

ANYTOWN BANK  
 Anytown, CA 99999

For \_\_\_\_\_

1: 250250095 1: 202020 • 1234

Routing number Account number

Do not include the check number

1234  
 15-0000/0000

DOLLARS

## Line 29 – Refund Direct Deposit of Refund (DDR)

Direct deposit is fast, safe, and convenient. To have the refund directly deposited into the exempt organization's bank account, enter the account information on Form 109, Side 1, line 29a, b, and c. Be sure to fill in **all** the information for these lines.

**Do not** attach a voided check or deposit slip. The following illustration shows which bank numbers to transfer to the preprinted areas on Form 109, Side 1.

To cancel the DDR, call the FTB at (800) 845-0353.

If the direct deposit is rejected, the FTB will issue a paper check.

## Line 30 and Line 31 – Penalties and Interest

Check the box on line 31 and attach a completed form FTB 5806 only if Exception B, tax on annual income, or Exception C, tax on annualized seasonal income, is used in computing the penalty.

**Line 32** – Organizations required to pay by EFT must remit the amount due by EFT. See General Information K, Payment of Tax.

## Side 2

## Part I and Part II – Unrelated Business Taxable Income

### Line 1 – Gross Receipts or Sales

Enter the gross income from any unrelated trade or business regularly carried on that involves the sale of goods or performance of services. If the

activity is a type includible in Schedule C through Schedule H, report it on the appropriate schedule and corresponding line of Part I instead of on line 1. For example, an exempt social club reports its restaurant and bar receipts from nonmembers on line 1 but would report its investment income on Schedule E and on Part I, line 8.

### Line 4(a), Line 4(b), and Line 4(c) – Net gain or loss from the sale of capital assets and ordinary gains and losses

#### Corporations and Associations

California law requires recognition of capital gains and losses for corporations and associations. R&TC Section 24990 places these gains and losses into long-term and short-term categories. California conformed to the federal law that limits the deduction of capital losses to the amount of capital gains and allows excess losses to be carried forward for five years. However, California does not allow loss carrybacks.

The rules relating to debt-financed property do not apply to an R&TC Section 23701g or 23701i organization, and Schedule D should be completed without regard to those rules. However, see IRC Section 512(a)(3) for nonrecognition of gain in certain cases.

#### Trusts

Enter on Form 109, Side 2, Part I, line 4(a), the computation of the **net capital gain** income reported on Schedule D(541). Attach a copy of that schedule to Form 109.

Enter on Form 109, Side 2, Part I, line 4(b), the computation of **ordinary gains and losses** reported on Schedule D-1. Attach a copy of that schedule to Form 109.

If a trust has a **net capital loss**, it is subject to the limitations in Schedule D (541). Enter on Form 109, Side 2, Part I, line 4(c), the computation of ordinary gains and losses reported on Schedule D (541). Attach a copy of that schedule to Form 109.

### Line 5 – Income (or Loss) from partnerships, limited liability companies, or S corporations

If the organization is a partner in a partnership, a member in a limited liability company, or a shareholder in an S corporation carrying on an unrelated trade or business, enter the organization's share (whether or not distributed) of the gross income and deductions from the unrelated trade or business. See federal Form 990-T, Specific Instructions for Part I, line 5, for information regarding the treatment of income from publicly traded partnerships.

### Line 14 through Line 25 – Deductions not Taken Elsewhere

Enter only the expenses for each item directly connected with unrelated trade or business activities and contribution deductions that may be deducted from unrelated business income.

No expense reported on Schedule A or Schedule C through Schedule H is included in Part II, other than excess advertising costs entered on line 27. For example, officers' compensation allocable to advertising income is reported on Schedule H only and is not entered on Part II, line 14.

Where the facilities or personnel used both to carry on the exempt function and to conduct unrelated trade or business activities, cost of goods sold, depreciation, and similar expenses attributable to such facilities or personnel (e.g.,



overhead) must be allocated between the two uses on a reasonable basis. Attach a schedule showing the allocation of the expenses between the two uses.

#### Line 14 – Compensation of officers, directors, and trustees

Complete Schedule I from Side 4, and enter the amount on line 14 of Side 2.

#### Line 20 – Contributions

Attach a schedule showing the name of each organization and the amount paid. If a contribution is made in property other than money, state the kind of property contributed and the method used to determine its fair market value.

If a charitable contribution deduction is allowed by reason of a sale of property to a charitable organization, the adjusted basis for determining the gain from the sale is an amount that is in the same ratio to the adjusted basis as the amount realized is to the fair market value of the property. See IRC Section 1011(b).

#### Corporations and Associations

Enter charitable contributions or gifts actually paid within the taxable year to or for the use of charitable and governmental organizations described in R&TC Section 24359.

The amount claimed cannot exceed 10% of the unrelated business taxable income computed without regard to this deduction.

This deduction is allowed whether or not directly connected with the carrying on of a trade or business. Attach a declaration, signed by an officer or other authorized person, to the tax return stating that the resolution authorizing the contribution was adopted by the board of directors or other governing body.

#### Trusts

Enter charitable contributions or gifts actually made within the taxable year to or for the use of charitable and governmental organizations described in IRC Section 170. See the instructions for federal Form 990-T for limitations on amounts of contributions you may claim.

#### Line 21a and Line 21b – Depreciation

##### Corporations and Associations

California law is generally the same as federal law with the exceptions noted below:

1. California has not adopted the federal Modified Accelerated Cost Recovery System (MACRS).
2. California prohibits the use of the 20% ADR ranges. Only the mid-range asset guideline period is allowed.
3. California allows the special additional first-year depreciation. R&TC Section 24356 in lieu of IRC Section 179.

California law and federal law are the same regarding the computation of depreciation under the income forecast method and the amortization of reforestation expenses over seven years.

Complete Schedule J on Side 4 and enter the amount on line 21a. Enter any depreciation claimed on Schedule A on line 21b.

#### Trusts

In 1987, California changed the rules for depreciation by conforming to the federal MACRS. The California MACRS applies to assets placed in service on or after January 1, 1987.

Complete form FTB 3885F, Depreciation and Amortization — Fiduciaries, to figure the difference between state and federal depreciation. Enter the total from form FTB 3885F, line 5, on Form 109, Part II, line 21a, and attach form FTB 3885F to Form 109.

#### Line 22 – Depletion

California law is the same as federal law.

If a deduction is claimed for timber, attach an explanatory statement.

#### Line 23b – Employee Benefit Programs

Enter the amount of the organization's contributions to employee benefit programs that are not an incidental part of a deferred compensation plan included on line 23a. Contributions to employee benefit programs that are reported on this line include contributions to insurance, health, and welfare programs.

#### Line 29 – Specific Deduction

The law provides for a specific deduction of \$1,000 from unrelated business income. Only one specific deduction of \$1,000 is allowed regardless of the number of unrelated businesses. However, a diocese, province of a religious order or convention, or association of churches is allowed one specific deduction for each parish, individual church district, or other local unit that regularly conducts an unrelated trade or business. This applies only to such units that are not separate legal entities, but are components of a larger entity (diocese, province, convention, association, etc.). Each specific deduction is equal to the lesser of: (a) \$1,000; or (b) the gross income from any unrelated trade or business regularly carried on by the local unit.

## Schedule B — Tax Credits

A variety of credits are available to exempt organizations to reduce tax on unrelated business income. However, the amount of some credits may be limited. Corporations and trusts must complete Schedule P (100 or 541), Alternative Minimum Tax and Credit Limitations, to compute this limitation. Generally, if the organization completed federal Form 4626 or Form 8656, Alternative Minimum Tax, it must also complete Schedule P (100 or 541).

Certain credits are not subject to the tentative minimum tax or the AMT Limitations. Get Schedule P (100 or 541) for more information.

To figure credits, use the appropriate form or schedule as indicated on the credit chart on page 15. Then complete either Side 2, Schedule B, or Schedule P (100 or 541), whichever is appropriate. Transfer the credits from Side 2, Schedule B, line 7, or from Schedule P (100 or 541) as follows:

- For corporations, Side 1, line 8.
- For trusts, Side 1, line 16.

Attach all credit forms, schedules, or statements and Schedule P (100 or 541), if applicable, to Form 109.

If the organization claims a credit carryover for an expired credit, use form FTB 3540, Credit Carryover Summary, to figure the amount of the credit, unless the organization is required to complete Schedule P. In that case, enter the amount of the credit on Schedule P (100 or 541), Section B or Section C and do not attach form FTB 3540.

If the organization claims a credit with carryover provisions and the amount of the credit available this year exceeds the tax, the organization may carry over any excess credit to future years until the credit is used or until the carryover period expires, whichever occurs first.

## Side 3 Schedule C — Rental Income

**Important Note:** For rental income from debt-financed property, see Schedule D instructions. All organizations except those qualified under R&TC Sections 23701g, 23701i, and 23701n must enter net rental income from Schedule C on Side 2, Part I, line 6.

Organizations qualified under R&TC Sections 23701g, 23701i, and 23701n must include gross rents on Side 2, Part I, line 6 (other than income that is determined to be nonexempt function income) and applicable expenses on Side 2, Part II, line 14 through line 24.

Except in the case of an R&TC Section 23701g, 23701i, or 23701n organization, only the following rents are taxable:

1. Rents from personal property leased with real property, if the rents attributable to the personal property are more than 10% but not more than 50% of the total received or accrued under the lease. In such a case, rents attributable to the real property are not taxable except as specified in General Information R, Exclusions, and in 2 below.
2. All rents from real property and personal property, if either of the following apply:
  - a. More than 50% of the total rents received or accrued under the lease are attributable to personal property.
  - b. The determination of the amount of the rents depends in whole or in part on the income or profits derived by any person from the property leased, other than an amount based on a fixed percentage or fixed percentages of receipts or sales.

See IRC Section 512(b)(3) requiring a redetermination of the percentage of rent attributable to personal property if either of the following apply:

1. There is an increase of 100% or more by reason of the placing of additional or substitute personal property in service.
2. There is a modification of the lease by which there is a change in the rent charged.

## Schedule D — Unrelated Debt-Financed Income

For taxable years beginning on or after January 1, 1990, California has conformed to federal law relating to the treatment of certain partnership allocations for property acquired by the partnership and partnership interests acquired after October 13, 1987.

Debt-financed property is any property held to produce income if at any time during the tax year there was acquisition indebtedness.

To complete Schedule D, see the instructions for federal Form 990-T, Schedule E. Use California amounts where there are California and federal differences.

## Schedule E — Investment Income of an R&TC Section 23701g, 23701i, or 23701n Organization

Report all income from investments in securities and other similar investment income from nonmembers. Do not include interest received on obligations of the federal government and on obligations of the state of California and its political subdivisions.

Investment income includes all income from debt-financed property whether or not such income is subject to taxation under R&TC Section 23735. However, an R&TC Section 23701g, 23701i, or 23701n organization may set aside income to the extent that it would not be taxable on such income if it were an organization subject to the rules contained in IRC Section 512(a)(1). If income is set aside, attach a schedule showing the computations.

Income and deductions, other than in connection with investment income, are reported in Part I and Part II. For example, nonmember income of an R&TC Section 23701g organization from the use of the club's facilities by the public must be reported on Side 2, Part I, line 1, line 2, and line 3, and the deductions (directly connected) in Part II, line 14 through line 24. (Organizations described in R&TC Section 23701g, see federal Rev. Proc. 71-17 for certain rules relating to nonmember income.)

## Schedule F — Income (Annuities, Interest, Rents, and Royalties) From Controlled Organizations

Controlling organizations: See General Information **R**, Exclusions.

Enter the total annuities, interest, rents, and royalties derived from each controlled organization during the year in Schedule F, column 2. Enter the total deductions directly connected with this income for each controlled organization in column 3.

### a. Exempt Controlled Organizations

If the controlled organization is exempt from taxation under R&TC Section 23701, the controlling organization takes into account a percentage of the interest, annuities, royalties, and rents. Compute this percentage by figuring the ratio of the unrelated business taxable income of the controlled organization to the greater of either of the following:

1. The taxable income of the controlled organization (computed as though it was not exempt from taxation under R&TC Section 23701).
2. The unrelated business income of the controlled organization.

Determine both 1 and 2 without regard to any amount paid directly or indirectly to the controlling organization.

### b. Nonexempt Controlled Organizations

If the controlled organization is not exempt from taxation under R&TC Section 23701, the controlling organization takes into account a percentage of the interest, annuities, royalties,

and rents computed by figuring the ratio of the "excess taxable income" of the controlled organization to the greater of either of the following:

1. The taxable income of the controlled organization.
2. The excess taxable income of the controlled organization.

Determine both 1 and 2 without regard to any amount paid directly or indirectly to the controlling organization.

"Excess taxable income" means the portion of the controlled organization's taxable income that exceeds the amount of taxable income, if derived directly by the controlling organization, would not be unrelated business taxable income.

## Schedule G — Exploited Exempt Activity Income, Other than Advertising Income

Generally, California law is the same as federal law.

### Side 4

## Schedule H — Advertising Income and Excess Advertising Costs

Generally, California law is the same as federal law.

### Side 5

## Schedule K — Add-On Taxes or Recapture of Tax

Complete Schedule K if the organization is required to include installment payments of add-on taxes from any of the following:

- Interest computed under the look-back method for completed long-term contracts.
- Interest on tax attributable to installment sales of certain property or use of the installment method for non-dealer installment obligations.
- IRC Section 197(f)(9)(B)(ii) election to recognize gain on the disposition of an IRC Section 197 intangible.
- Credit amounts to recapture.

Enter the amount of tax due or overpayment from Schedule K, line 5, on Form 109, Side 1, **line 25 or line 26**, as appropriate.

### Long-term contracts

If the organization must compute interest under the look-back method for completed long-term contracts, complete and attach form FTB 3834, Interest Computation Under the Look-Back Method for Completed Long-Term Contracts. Include the amount of interest the organization owes or the amount of interest to be credited or refunded on Schedule K, line 1.

### Interest on tax attributable to payments received on installment sales of certain timeshares and residential lots under IRC Section 453

If the organization elected to pay interest on the amount of tax attributable to payments received on installment obligations arising from the disposition of certain timeshares and residential lots under IRC Section 453, it must include the interest on Schedule K, line 2a. For

the applicable interest rates, get FTB Pub. 1138, Business Entity Refund/Billing Information. Attach a schedule showing the computation. See R&TC Section 17560(d) and 24667(e).

### Interest on tax deferred under the installment method for certain non-dealer installment obligations

If an obligation arising from the disposition of property to which IRC Section 453A applies is outstanding at the close of the year, the organization must include the interest due under IRC Section 453A on Schedule K, line 2b. For the applicable interest rate, get FTB Pub. 1138, Business Entity Refund/Billing Information. Attach a schedule showing the computation. See R&TC Section 17560(e) and 24667(f).

### Credit recapture

Complete Schedule K, line 4, if the organization completed the credit recapture portion of any of the following:

- FTB 3501, Employer Child Care Program/Contribution Credit.
- FTB 3805Z, Hiring Credit — Enterprise Zone Deduction and Credit Summary.
- FTB 3806, Hiring Credit — Los Angeles Revitalization Zone Deduction and Credit Summary.
- FTB 3806, Sales or Use Tax — Los Angeles Revitalization Zone Deduction and Credit Summary.
- FTB 3807, Hiring Credit — Local Agency Military Base Recovery Area Deduction and Credit Summary.
- FTB 3807, Sales or Use Tax Credit — Local Agency Military Base Recovery Area Deduction and Credit Summary.
- FTB 3808, Manufacturing Enhancement Area Credit Summary.
- FTB 3809, Targeted Tax Area Deduction and Credit Summary.

## Schedule R — Apportionment Formula Worksheet

**Line 1** — Property factor — Owned property is valued at its original cost. Rented property is valued at eight times its net annual rental. Use the average yearly value of owned and rented real and tangible personal property used in the business.

**Line 6** — Average apportionment percentage — Divide the total percentage on line 5 by the number of factors that have amounts in column (a). The sales factor must be counted as two factors. Organizations that have all factors would have a denominator of four (property, payroll, and twice the sales factor). However, do not include those factors with a zero in the totals of both column (a) and column (b). If there is no payroll, then you would divide the factor on line 5 by 3.



# 2007 Tax Rate Schedule for Trusts

IF THE TAXABLE INCOME IS ...

over —	but not over —
\$ 0	\$ 6,827
6,827	16,185
16,185	25,544
25,544	35,460
35,460	44,814
44,814	AND OVER

COMPUTED TAX IS ...

\$ 0	+	1.0%
68.27	+	2.0%
255.43	+	4.0%
629.79	+	6.0%
1,224.75	+	8.0%
1,973.07	+	9.3%

of the amount over —
\$ 0
6,827
16,185
25,544
35,460
44,814

Advance Draft  
as of 07/23/08

# CREDIT CHART

Credit Name	Code	Description
Community Development Financial Institution Deposits — Certification Required	209	20% of each qualified deposit made to a community development financial institution. Obtain certification from: California Organized Investment Network (COIN), Department of Insurance, 300 Capital Mall, Suite 1600, Sacramento CA 95814, or go to: <a href="http://www.insurance.ca.gov">www.insurance.ca.gov</a>
Disabled Access for Eligible Small Businesses — FTB 3548	205	Similar to the federal credit but limited to \$125 based on 50% of qualified expenditures that do not exceed \$250
Donated Agricultural Products Transportation — FTB 3547	204	50% of the costs paid or incurred for the transportation of agricultural products donated to nonprofit charitable organizations
Employer Child Care Contribution — FTB 3501	190	Employer: 30% of contributions to a qualified plan
Employer Child Care Program — FTB 3501	189	Employer: 30% of the cost of establishing a child care program or constructing a child care facility
Enhanced Oil Recovery — FTB 3546	203	One third of the similar federal credit and limited to qualified enhanced oil recovery projects located within California
Enterprise Zone Hiring & Sales or Use Tax — FTB 3805Z	176	Business incentives for enterprise zone businesses
Farmworker Housing Constructions — Farmworker Housing Loan Certification Required	207 208	50% of new construction or rehabilitation costs for farmworker housing 50% of qualified costs paid or incurred to construct or rehabilitate qualified farmworker housing. Banks and financial corporations: 50% of foregone interest income on qualified farmworker housing loans. Obtain certification from: Farmworker Housing Assistance Program, California Tax Credit Allocation Committee, 915 Capitol Mall, Room 485, Sacramento CA 95814 or go to <a href="http://www.treasurer.ca.gov">www.treasurer.ca.gov</a>
Local Agency Military Base Recovery Area Hiring & Sales or Use Tax — FTB 3807	198	Business incentives for LAMBRA's
Low-Income Housing — FTB 3521	172	Similar to the federal credit but limited to low-income housing in California
Manufacturing Enhancement Area Hiring — FTB 3808	211	Percentage of qualified wages paid to qualified disadvantaged individuals
Natural Heritage Preservation — FTB 3503	213	55% of the fair market value of any qualified contribution of property donated to the state, any local government, or any nonprofit organization designated by a local government
Other State Tax — Schedule S	187	Net income tax paid to another state or a U.S. possession on income also taxed by California (trusts only)
Prior Year Alternative Minimum Tax — FTB 3510	188	Must have paid alternative minimum tax in a prior year and have no alternative minimum tax liability in 2007
Prison Inmate Labor — FTB 3507	162	10% of wages paid to prison inmates
Research — FTB 3523	183	Similar to the federal credit but limited to costs for research activities in California
Rice Straw — Certification Required	206	\$15 per ton of purchased rice straw grown in California. Obtain certification from: Rice Straw Tax Credit Program, Department of Food and Agriculture, 1220 N Street, Room 140, Sacramento, CA 95814, or go to <a href="http://www.cdffa.ca.gov">www.cdffa.ca.gov</a>
Targeted Tax Area Hiring & Sales or Use Tax — FTB 3809	210	Business incentives for TTA businesses

**Repealed Credit:** The expiration dates for these credits have passed. However, these credits had carryover features. You may claim these credits only if there is a carryover available from prior years. If you are not required to complete Schedule P (100, 100W, or 541), get form FTB 3540, Credit Carryover Summary, to figure your credit carryover to future years.

Agricultural Products	175	Joint Strike Fighter - Wages	215	Residential Rental & Farm Sales (trusts only)	186
Commercial Solar Electric System	196	Joint Strike Fighter - Property Costs	216	Ridesharing	171
Commercial Solar Energy	181	Los Angeles Revitalization Zone (LARZ)		Salmon & Steelhead Trout Habitat Restoration	200
Employee Ridesharing	194	Hiring & Sales or Use Tax	159	Solar Energy	180
Employer Ridesharing:		Low-Emission Vehicles	160	Solar or Wind Energy System	217
Large	191	Manufacturers' Investment	199	Solar Pump	179
Small	192	Orphan Drug	185	Water Conservation	178
Transit passes	193	Political Contributions (trusts only)	184	Young Infant	161
Energy Conservation	182	Recycling Equipment	174		

# How to Get California Tax Information

(Keep this page for future use)

## Automated Toll-Free Phone Service

Use our Automated Toll-Free Phone Service to get recorded answers to many of your questions about California taxes and to order current year California Business Entity tax forms and publications. This service is available in English and Spanish to callers with touch-tone telephones. Have paper and pencil ready to take notes.

Call from within the  
United States. . . . . (800) 338-0505  
Call from outside the  
United States. . . . . (916) 845-6600  
(not toll-free)

## Where to get General Tax Information

**By Internet** – You can get answers to Frequently Asked Questions from our Website at [www.ftb.ca.gov](http://www.ftb.ca.gov).

**By Phone** – You can hear recorded answers to Frequently asked Questions 24 hours a day, 7 days a week. Call our automated phone service at the number listed above. Select "Business Entity Information," then select "Frequently Asked Questions." Enter the 3-digit code, listed below, when prompted.

### Code – Prefiling Assistance

- 715 – If my actual tax is less than the minimum franchise tax, what figure do I put on line 23 of Form 100 or Form 100W?
- 717 – What are the current tax rates for corporations?
- 718 – How do I get an extension of time to file?
- 722 – When does my corporation file a short period return?
- 734 – Is my corporation subject to a franchise tax or income tax?

### S corporations

- 704 – Is an S corporation subject to the minimum franchise tax?
- 705 – Are S corporations required to file estimated payments?
- 706 – What forms do S corporations file?
- 707 – The tax for my S corporation is less than the minimum franchise tax. What figure do I put on line 22 of Form 100S?

### Exempt Organizations

- 709 – How do I get tax-exempt status?
- 710 – Does an exempt organization have to file Form 199?
- 736 – I have exempt status. Do I need to file Form 100 or Form 109 in addition to Form 199?

### Minimum Tax and Estimate Tax

- 712 – What is the minimum franchise tax?
- 714 – My corporation is not doing business; does it have to pay the minimum franchise tax?

### Billings and Miscellaneous Notices

- 723 – I received a bill for \$250. What is this for?

### Corporate Dissolution

- 724 – How do I dissolve my corporation?

### Miscellaneous

- 701 – I need a state employer ID number for my business. Who do I contact?
- 703 – How do I incorporate?
- 737 – Where do I send my payment?

## Letters

If you write to us, be sure your letter includes the California corporation number, or FEIN, your daytime and evening telephone numbers, and a copy of the notice with your letter. Send your letter to:

EXEMPT ORGANIZATIONS UNIT MS F120  
FRANCHISE TAX BOARD  
PO BOX 1286  
RANCHO CORDOVA 95741-1286

We will respond to your letter within ten weeks. In some cases we may need to call you for additional information. Do not attach correspondence to your tax return unless it relates to an item on the return.

## Your Rights As A Taxpayer

FTB's goals include making certain that your rights are protected so that you have the highest confidence in the integrity, efficiency, and fairness of our state tax system. FTB Pub. 4058, California Taxpayers' Bill of Rights, includes information on your rights as a California taxpayer, the Taxpayers Rights Advocate Program, and how you request written advice from the FTB on whether a particular transaction is taxable. See "Where To Get Income Tax Forms and Publications," on this page.

## Where to Get Tax Forms and Publications

**By Internet** – You can download, view, and print California tax forms and publications from our Website at [www.ftb.ca.gov](http://www.ftb.ca.gov).

**By phone** – You can order current year California Business Entity tax forms between 6 a.m. and 8 p.m. Monday through Friday. Call our automated phone service at the number listed above. Select "Business Entity Information," then select "Forms and Publications." Follow the recorded instructions and enter the 3-digit code, listed below, when prompted.

Allow two weeks to receive your order. If your corporation's mailing address is outside California, allow three weeks.

### Code

- 817 – California Corporation Tax Forms and Instructions. This booklet contains:  
Form 100, California Corporation Franchise or Income Tax Return
- 814 – Form 109, California Exempt Organization Business Income Tax Return
- 815 – Form 199, Exempt Organization Return
- 818 – Form 100-ES, Corporation Estimated Tax
- 802 – FTB 3500, Exempt Application Booklet. **This booklet contains:**  
**Form FTB 3500, Exempt Application**  
**Form FTB 3500A, Affirmation of IRC Section 501 (c)(3)**

**In person** – Many libraries and post offices provide free California tax booklets during the filing season. Most libraries have forms and schedules to photocopy (a nominal fee may apply).

Employees at libraries and post offices cannot provide tax information or assistance.

**By mail** – Write to:

TAX FORMS REQUEST UNIT  
FRANCHISE TAX BOARD  
PO BOX 307  
RANCHO CORDOVA CA 95741-0307

## Assistance

Telephone assistance is available year-round from 7 a.m. until 6 p.m. Monday through Friday, except holidays.

From within the United States,  
call . . . . . (800) 852-5711  
From outside the United States,  
call (not toll-free) . . . . . (916) 845-6500

Website at [www.ftb.ca.gov](http://www.ftb.ca.gov)

### Assistance for persons with disabilities

We comply with the Americans with Disabilities Act. Persons with hearing or speech impairments please call:

From TTY/TDD: . . . . . (800) 822-6268

### Asistencia bilingüe en español

Asistencia telefónica esta disponible todo el año durante las 7 a.m. y las 6 p.m. lunes a viernes, excepto días festivos.

Dentro de los Estados Unidos,  
llame al. . . . . (800) 852-5711  
Fuera de los Estados Unidos,  
llame al (cargos aplican) . . . . . (916) 845-6500

Página Electrónica: [www.ftb.ca.gov](http://www.ftb.ca.gov)

### Asistencia para personas discapacitadas

Nosotros estamos en conformidad con el Acta de Americanos Discapacitados. Personas con problemas auditivos o de habla, pueden llamar al (800) 822-6268 con un aparato de telecomunicación TTY/TDD.

